

11 Am. Jur. 2d Bills and Notes § 346

American Jurisprudence, Second Edition | May 2021 Update

Bills and Notes

Lonnie E. Griffith, Jr., J.D.; Sonja Larsen, J.D.; Lucas Martin, J.D.; Karl Oakes, J.D.; Eric C. Surette, J.D.; and Barbara J. Van Arsdale, J.D.

X. Discharge of Obligation

B. Discharge of Obligation to Pay

1. Discharge Other Than by Payment

§ 346. Discharge of obligation to pay on negotiable instrument by cancellation or renunciation

[Topic Summary](#) | [Correlation Table](#) | [References](#)

West's Key Number Digest

West's Key Number Digest, Bills and Notes  435, 437

A.L.R. Library

[What constitutes renunciation by surrender of negotiable instrument under U.C.C. sec. 3-605, 96 A.L.R.3d 1144](#)

Treatises and Practice Aids

As to discharge by cancellation or renunciation, see Lawrence's Anderson on the Uniform Commercial Code, Article 3 [Rev] Negotiable Instruments [\[Westlaw®\(r\): Search Query\]](#)

Forms

Forms relating to renunciation or discharge of maker, generally, see Am. Jur. Pleading and Practice Forms, Commercial Code [\[Westlaw®\(r\) Search Query\]](#)

A person entitled to enforce an instrument may discharge the obligation of a party to pay the instrument, with or without consideration, by any intentional voluntary act, such as:¹

- surrender of the instrument to the party
- destruction, mutilation, or cancellation of the instrument
- cancellation or striking out of the party's signature
- addition of words to the instrument indicating discharge
- agreeing not to sue or otherwise renouncing rights against the party by a signed record²

Definition:

“Signed,” with respect to a record that is not a writing, includes the attachment to or logical association with the record of an electronic symbol, sound, or process with the present intent to adopt or accept the record.³

Caution:

A discharge of the obligation of a party to pay an instrument under the foregoing provisions does not necessarily discharge the obligation of a secondary obligor having a right of recourse against the discharged party.⁴

Cancellation or striking out of an indorsement does not affect the status and rights of a party derived from the indorsement.⁵ Thus, while the cancellation of an indorsement will renounce all rights against the indorser, it does not break the chain of title through which the person entitled to enforce the instrument owns or holds it.⁶ Furthermore, if the person whose indorsement is cancelled or a prior holder was a holder in due course, the person entitled to enforce the instrument is a holder through a holder in due course, despite the cancellation.⁷

Footnotes

- 1 [U.C.C. § 3-604\(a\)](#) (2002 Rev).
As to discharge of an obligation by payment, see §§ [351](#) to [365](#).
As to discharge of an obligation due to a fraudulently made alteration, see §§ [535](#) to [539](#).
- 2 [First Commerce Bank v. Dockery](#), 171 N.C. App. 297, 615 S.E.2d 314, 59 U.C.C. Rep. Serv. 2d 18 (2005)
(a borrower was liable for the debt obligation on a promissory note, despite a coborrower's contention that the lender agreed to release the borrower when the coborrower reaffirmed the debt following bankruptcy, as the alleged release was not in a signed writing).
- 3 [U.C.C. § 3-604\(c\)](#) (2002 Rev).
- 4 As to the discharge of secondary obligors, see §§ [366](#) to [385](#).
- 5 [U.C.C. § 3-604\(b\)](#) (2002 Rev).
- 6 [Frisch, Lawrence's Anderson on the Uniform Commercial Code § 3-604:12 \[Rev.\] \(3d ed.\)](#).
- 7 [Frisch, Lawrence's Anderson on the Uniform Commercial Code § 3-604:12 \[Rev.\] \(3d ed.\)](#).

End of Document

© 2021 Thomson Reuters. No claim to original U.S. Government Works.